

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS:**

Grade AA butter, in weekly trading, decreased 1 1/2 cents to \$2.3350.

In daily cash cheese trading, barrels closed at \$1.7925 on Friday, October 16, and blocks ended the week at \$1.8200. The weekly average close is \$1.7805 for barrels and \$1.8115 for blocks.

In daily cash nonfat dry milk trading, the close on Friday, October 16, is \$1.1650 for Extra Grade and \$1.1650 for Grade A. The weekly average for Extra Grade is \$1.1650 and \$1.1650 for Grade A.

BUTTER: The market tone is unsettled to weak. Buying interest is mixed as many orders are delayed due to the possibility of additional price weakness. Other buyers feel that the lower prices may be short lived. Stocks of bulk and print butter are reported to be in close balance to short of full needs. Cream offerings are heavier as ice cream production slows seasonally. Demand for cream is often lighter due to price concerns. Many producers and handlers are concerned about having adequate stocks for the year end holiday period.

CHEESE: The cash cheddar cheese market continues firm. Cash prices closed at new record highs for the sixth consecutive week. Current offerings are limited as most plants are fully committed for at least a couple more weeks. A few plants are receiving slightly higher milk volumes as milk gets shifted over from butter/powder production as butter/cream prices fall.

FLUID MILK: Milk supplies remain short of needs in the Southeast and sizeable imports from other areas of the country continue. The shipments are helping to keep milk supplies tight throughout the country. Milk receipts are increasing in the Southwest and, to a lesser degree, in parts of the Midwest. Other Midwestern areas and the Northeast are fairly steady, while declines are noted in the Northwest. Manufacturing schedules are little changed except in the Southwest. Some milk is now starting to shift from butter/powder production to cheese. Manufacturing schedules remain seasonally light.

DRY PRODUCTS: The NDM market is mostly steady and current offerings remain tight. Some milk is flowing from butter/powder over to cheese production, further reducing powder production. The buttermilk market is steady to firm. Supplies are in close balance with demand. Condensed buttermilk sales are slower as ice cream production slows seasonally. The whey market remains weak and prices are generally lower. Inventories are accumulating and demand is light. The WPC market is steady. Supplies are tight to adequate and demand lighter.

CCC: During the week of October 12 - 15, there was no CCC purchase or cancellation activity.

MAILBOX MILK PRICES (USDA, DAIRY PROGRAMS): In July 1998, mailbox milk prices reported for selected Federal milk orders averaged \$13.76 per cwt., \$.08 more than the revised figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$13.40, down \$.17; Southeast, \$13.81, down \$.94; Midwest, \$14.16, up \$.41; and West, \$13.15, up \$.01. Compared to July 1997, mailbox milk prices increased \$2.04 on the average.

MILK PRODUCTION (NASS): Milk production in the 20 major states during September totaled 10.7 billion pounds, up 41 million pounds (0.4%) from production in these same states in September 1997. August revised production, at 11.2 billion pounds was down 53 million pounds (0.5%) from August 1997. Production per cow averaged 1,381 pounds for September, 4 pounds (0.3%) above September 1997. The number of cows on farms in these states was 7.76 million head, 5,000 head (0.1%) more than September 1997 and 4,000 cows more than August 1998. The average number of milk cows in the U.S. during the third quarter was 9.20 million head, 48,000 (0.5%) less than the same quarter last year.

SUPPLY AND USE PROJECTIONS FOR MILK (USDA, WAOB): Butter prices remained strong through the summer and the strength has carried into the seasonally strong year-end holiday demand period. This, combined with seasonally low milk production, is helping hold cheese prices at high levels and will support high farm level milk prices at least through autumn. The milk price forecasts are increased this month. High butter prices are resulting in larger butter imports than previously forecast.

AUGUST FLUID SALES HIGHLIGHTS (USDA, AMS): During August, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.4% below the previous year and 0.9% above July 1998 on an adjusted daily average basis. Sales of whole milk items were 1.0% below the previous year; sales of fat-reduced milk items were unchanged from the previous year. Cumulative total fluid sales for January through August total 32.7 billion pounds, down 0.6% from the comparable period in 1997.

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-42,000 lbs.

PRODUCT	MONDAY OCT 12	TUESDAY OCT 13	WEDNESDAY OCT 14	THURSDAY OCT 15	FRIDAY OCT 16	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.7725 (N.C.)	\$1.7775 (+.0050)	\$1.7775 (N.C.)	\$1.7825 (+.0050)	\$1.7925 (+.0100)	+.0200	\$1.7805 (+.0135)
40# BLOCKS	\$1.8050 (N.C.)	\$1.8050 (N.C.)	\$1.8100 (+.0050)	\$1.8175 (+.0075)	\$1.8200 (+.0025)	+.0150	\$1.8115 (+.0130)
NONFAT DRY MILK							
EXTRA GRADE	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	N.C.	\$1.1650 (N.C.)
GRADE A	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	N.C.	\$1.1650 (+.0005)
BUTTER							
GRADE AA	----	----	----	----	\$2.3350 (-.0150)	----	----

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

Trading Activity - October 12 - 16, 1998

MONDAY, OCTOBER 12, 1998

CHEESE -- SALES: NONE; BIDS UNFILLED: 3 CARS BARRELS @ \$1.7725; OFFERS UNCOVERED: NONE

NONFAT DRY MILK --SALES: NONE; BIDS UNFILLED: 1 CAR EXTRA GRADE @ \$1.0800; OFFERS UNCOVERED: 2 CARS EXTRA GRADE: 1 @ \$1.1650, 1 @ \$1.1675, 2 CARS GRADE A: 1 @ \$1.1650, 1 @ \$1.1675

TUESDAY, OCTOBER 13, 1998

CHEESE -- SALES: NONE; BIDS UNFILLED: 4 CARS BARRELS: 3 @ \$1.7775, 1 @ \$1.7725; OFFERS UNCOVERED: NONE

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: 1 CAR EXTRA GRADE @ \$1.0800, 1 CAR GRADE A @ \$1.1000; OFFERS UNCOVERED: 1 CAR EXTRA GRADE @ \$1.1675, 1 CAR GRADE A @ \$1.1675

WEDNESDAY, OCTOBER 14, 1998

CHEESE -- SALES: 10 CARS 6 MONTH OLD 40# BLOCKS @ \$1.7700; BIDS UNFILLED: 3 CARS BARRELS @ \$1.7775, 1 CAR 40# BLOCKS @ \$1.8100; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.8300

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR EXTRA GRADE @ \$1.1675, 1 CAR GRADE A @ \$1.1700

THURSDAY, OCTOBER 15, 1998

CHEESE -- SALES: 4 CARS 40# BLOCKS: 1 @ \$1.8150, 3 @ \$1.8175; BIDS UNFILLED: 4 CARS BARRELS: 3 @ \$1.7825, 1 @ \$1.7800, 2 CARS 40 # BLOCKS: 1 @ \$1.8175, 1 @ \$1.8125; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.8375, 1 @ \$1.8600

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, OCTOBER 16, 1998

CHEESE -- SALES: NONE; BIDS UNFILLED: 7 CARS BARRELS: 4 @ \$1.7925, 1 @ \$1.7900, 1 @ \$1.7850, 1 @ \$1.7825; 1 CAR 40 # BLOCKS @ \$1.8200, 2 CARS 40 # BLOCKS SIX MONTHS OLD @ \$1.7700; OFFERS UNCOVERED: NONE

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER -- SALES: 22 CARS: 6 CARS @ \$2.2900, 1 @ \$2.2800, 2 @ \$2.2700, 2 @ \$2.2650, 1 @ \$2.2600, 1 @ \$2.2700, 1 @ \$2.2800, 1 @ \$2.2900, 1 @ \$2.3600, 2 @ \$2.3200, 1 @ \$2.3300, 1 @ \$2.3350, 1 @ \$2.3475, 1 @ \$2.3375; BIDS UNFILLED: 1 @ \$2.2500; OFFERS UNCOVERED: 5 @ \$2.3350, 1 @ \$2.4000

BUTTER MARKETS**NORTHEAST**

Eastern butter producers and handlers continue to adjust to lower butter prices with caution. Many have mixed opinions as to the future of butter markets. Some feel that prices will continue to weaken while others anticipate prices will increase somewhat. Stocks are reported to be in close balance to short of full needs. Some Eastern buyers continue to reach to Western parts of the United States to secure supplemental bulk butter supplies. Overall buying interest is fair. Food service orders are seasonally steady with retail orders somewhat lighter than past weeks.

CENTRAL

The market tone is mixed, but the undertone remains weak. Some butter producers and handlers anticipate butter prices to continue to decline, while others feel some strength will return to the market within the next few weeks. Stocks are reported to still be in close balance to short of full needs. Churning schedules vary depending on the plants outlook on current market conditions. Some producers are cautious to take on additional cream at this time while others are taking the cream and churning with the thought that they will at least have some butter stocks to meet upcoming holiday needs. Some Midwestern buyers are stating the it seems as if offerings of Western butter are more available at competitive prices in comparison to past weeks. Overall butter orders remain light. Many buyers are delaying sizable orders in anticipation of further price weakness, while others are filling immediate short term needs only.

WEST

Discounts are increasing for Western butter differentials. Most manufacturers want to keep their inventories as current as possible with the current soft market situation. Bulk butter offerings are increasing and demand is lackluster. Print sales are rated as fair to good with private label not doing as well as store brands because of price. Cream offerings are much heavier. Ice cream sales are seasonally slower and this is freeing up some additional cream supplies. Churning operations are not sure if they want additional cream at this time even at lower prices. Some feel that the downward price exposure is too great. Contacts have varying opinions about what butter may do in the near future. Some believe the market has peaked and will continue lower, others believe that the current weakness will be only short lived and prices will again increase before the real holiday demand kicks in. Both opinions come with a certain amount of doubt attached.

WHOLESALE SELLING DIFFERENTIALS, F.O.B. PRODUCING PLANTS,
TRUCKLOAD QUANTITIES.

FIGURES REPRESENT THE RANGE IN PREMIUMS OR DISCOUNTS
(CENTS/POUND) FROM THE CME GRADE AA CASH BUTTER CLOSE
OCTOBER 9, 1998 CLOSE = \$2.3500

STYLE	NORTHEAST	CENTRAL	WEST
BULK	+3 TO +5	flat TO +3	-5 TO -2

NASS DAIRY PRODUCT PRICES
U.S. AVERAGE AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 39% MOISTURE			
OCTOBER 10	1.7441 5,319,819	1.7322 8,165,792	1.0698 13,731,581	2.5829 2,384,484	0.2590 5,600,940

Further data and revisions may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

CHEESE MARKETS

NORTHEAST

Process and natural cheddar cheese prices continue to increase following daily cash trading at the Chicago Mercantile Exchange while Swiss prices hold steady. The market tone remains firm although producers are cautious and maintaining inventories at manageable levels. Overall cheese production is lower as milk continues to flow South to fill Class I needs. Retail and food service orders are holding up fairly well.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.8025-2.2850
Cheddar Single Daisies	:	1.7725-2.2875
Cheddar 40# Block	:	1.9400-2.0875
Process 5# Loaf	:	1.9525-2.1050
Process 5# Sliced	:	1.9825-2.1650
Muenster	:	1.9700-2.2950

MIDWEST

The cheese market is firm. At the Chicago Mercantile Exchange, barrels advanced 1 cent to close on October 9 at \$1.7725, and blocks increased 1.25 cents to \$1.8050. Again, these cash prices are new record highs. Some traders are expecting prices to plateau near current levels. Current cheese offerings continue short to tight. Milk supplies available for manufacturing are little changed from recent weeks as Class I sales remain seasonally good. Cheese yields are slightly improved. Most plants remain committed with orders for various periods of time. Spot offerings of most cheese varieties are limited within the Midwest. Orders are often delayed or shorted as producers have difficulty filling orders. Natural cheese demand is generally steady at good levels. Process orders remain good. Barrels and processing solids remain short to tight. Even lesser quality processing solids are difficult to acquire and asking prices remain closer than normal to regular quality product.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.9375-2.0700
Brick And/Or Muenster 5#	:	2.0600-2.2725
Cheddar 40# Block	:	1.9150-2.0800
Monterey Jack 10#	:	1.9150-2.2550
Blue 5#	:	2.4075-2.6200
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9150-2.1400
Grade A Swiss Cuts 6 - 9#	:	2.4200-2.4850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	OCTOBER 12 - 16, 1998
BARRELS*	:	\$1.7675 - 1.7875 (NOMINAL)
	:	(\$0.0100) (.0100)
40# BLOCKS	:	\$1.8175 - 1.8475 (NOMINAL)
	:	(\$0.0250) (.0250)

() Change from previous week. * If steel, barrel returned.

WEST

Process and natural cheese prices continue to increase with Swiss holding steady. There continues to be a firm undertone to the cheese market. Process is in the tightest position. Buyers are not able to cover needs in an efficient manner. They are looking for other processing solids and not having much luck. Demand for current blocks is rated as fair to good. Buyers are generally able to cover immediate needs, but are not able to find the aged cheese for future needs. Mozzarella offers are definitely short of current needs. Demand is going unfilled. Cheese could be moving around the country to fill shortages, but there is not enough available for local needs. Swiss cheese remains in fair to good shape. Fall demand is starting to pick up and offerings are sufficient to cover them. Some contacts are concerned about Swiss prices affecting shipments this fall.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.9300-2.1775
Cheddar 40# Block	:	1.9100-2.0625
Cheddar 10# Cuts	:	2.1175-2.3225
Monterey Jack 10#	:	2.1325-2.2850
Grade A Swiss Cuts 6 - 9#	:	2.3900-2.4900

FOREIGN TYPE

Domestic cheese prices continue to increase following cash trading at the Chicago Mercantile Exchange while imported prices are holding steady. European cheese stocks are reported to be readily available as potential sales, especially to Russia, are not developing. Demand for imported cheese is somewhat stronger in the U.S. as imported prices are becoming more attractive to buyers as domestic prices continue to increase.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 2.1350-2.7450*
Gorgonzola	: 3.2400-5.9400	: 2.4900-2.8300*
Parmesan (Italy)	: TFEWR	: 3.5450-3.5850*
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.8075-2.3375*
Romano (Cows Milk)	: -0-	: 3.3125-3.6550*
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER		CHEESE	
	:		:
10/12/98	7,099	:	99,132
10/01/98	6,894	:	100,820
CHANGE	+205	:	-1,688
% CHANGE	+3	:	-2

FLUID MILK AND CREAM

E A S T

The topic of most discussions is tight milk supplies. Up and down the East Coast, reports of tighter than desired levels of milk are very common. In the Southeast, milk production remains seasonally low. The hot temperatures in August and September, warmer than usual temperatures for October, and the negative effects of hurricane Georges on the milking herd are some of the factors contributing to the slow recovery in milk production. Reports indicate that over 500 loads of milk have been shipped into the Southeast with over 200 going as far as Florida. This large volume of imports is drawing milk from as far away as New Mexico and North Dakota and from some plants that have never shipped milk into the Southeast. Even with the 500+ loads imported into the region, milk needs were still not fully satisfied. Production in the Northeast is also not as positive as many milk handlers would desire. The strong call for milk into the Southeast is causing Northeastern milk handlers much concern. Firm prices and limited volumes of cheese, are two factors that cause cheese producers to juggle milk volumes between production schedules or milk sales out of the area. Cream markets are equally unsettled. Weakening cash butter prices at the Chicago Mercantile Exchange are being viewed with mixed opinions. Some buyers of cream continue to hold off purchasing at this time in anticipation of lower prices while others are taking advantage of readily available cream volumes at current price levels. In most instances, pricing differentials are steady to generally lower. Condensed skim prices are steady to higher with demand centering around contracted volumes.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	2.8670 - 3.3135
Delivered Equivalent Atlanta	-	2.9610 - 3.2900 M 2.9845 - 3.1020
F.O.B. Producing Plants: Upper Midwest	-	2.8200 - 3.1960

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	.8500 - 1.0500
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M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
OCTOBER 9 - 15, 1998	46
PREVIOUS WEEK	52
COMPARABLE WEEK IN 1997	44

DESTINATIONS: FLORIDA 21, KENTUCKY 25

Class I demand remains generally at good seasonal levels. Overall, milk supplies within the region remain seasonally tight. Besides the shipment included in the total, 10 loads of Wisconsin milk were sent to Michigan and 6 to Ohio. Another 21 loads of Wisconsin milk are "direct shipped" to Tennessee and 42 loads to Missouri and pooled under a Southern Federal Order. Shipments to bottlers/handlers in the South from Michigan, Minnesota and Iowa are also continuing with volumes reported about steady to occasionally heavier. Local milk receipts are steady to just slightly higher. Milk receipts in the mid-tier of states are increasing slowly a little more consistently than in the

upper tier of states. Fat and protein tests have also rebounded seasonally. Cream prices are sharply lower, reflecting the 26 cent decline in cash butter prices at the Chicago Mercantile Exchange on October 9. Extra cream supplies are being offered around and buyer interest is limited. Ice cream output is steady to slower seasonally. The sharp declines in butter prices over the past two weeks have helped to shift limited quantities of milk back into cheese production from butter/powder due to better returns (tilt) and concern over potential additional weakness in butter prices. Generally good weather has helped the fall harvest and tillage make progress at levels well ahead of normal.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCTOBER 8 - 14 PREVIOUS YEAR
SLAUGHTER COWS	\$ 28.00- 34.50 \$ 33.50- 39.00
REPLACEMENT HEIFER CALVES	\$ 170.00-220.00 \$ 100.00-140.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	OCTOBER 8 - 14 PREVIOUS YEAR
SLAUGHTER COWS	\$ 30.00- 38.75 \$ 33.50- 38.00

W E S T

Milk production in the Southwest continues to improve seasonally and beyond as weather conditions remain ideal. In California, higher milk prices and lower than normal feed costs are providing incentives for producers to increase milk production. Returns are currently very favorable. Plants are seeing additional milk volumes and solids' levels are increasing. With butter prices dropping and cheese prices at record levels, more milk is moving into cheese plants in the region. Arizona milk production continues to increase as the weather patterns continue to be favorable to make more milk. Some plants are making more product than they normally would this time of year. Supplies of cream are excessive in the region. Extra loads are being shipped and often being priced based on upcoming butter markets. Prices are being negotiated based off class usage plus minimal overages or multiples in the lower 110 range. Milk production is edging lower seasonally across the Pacific Northwest. Conditions are much cooler and wetter at this time. Fall field work is near completion with only some late planted corn waiting to be harvested for silage. Some contacts are stating that if better quality hay is purchased the milk flow and solids content improves rather directly. The decision is on how much to spend for what quality of hay. Top quality dairy type hay is relatively tight and expensive. The good news is that exporters are not moving their normal volumes overseas because of financial concerns in those markets. Some volumes of milk are moving around the region to get the best return in end products because of the changing price relationships between butter/powder and cheese. Most cheese manufacturing plants are anxious to take additional milk. Conditions are also cool and wet over Utah and Idaho. Frost has been common and snow over the higher elevations is widespread. This weekend the snow line may move down into the valleys. Heifers are hard to find and prices continue to strengthen. Lots of hay is being sold within the region and to outside areas. Much of what is moving so far is the lower quality hay.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 10/15/98 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices and the market tone are unchanged. Demand is fair. Asking prices are often within a narrow range and offerings are steadily clearing at these levels. Some resale and aged loads are showing up with slightly more negotiable prices. High heat sales are increasing due to seasonal buying patterns and uses. Production varies from limited to inactive. However, some manufacturers are scheduled to start drying within the next few weeks.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: 1.0800 - 1.1500 MOSTLY: 1.0800 - 1.1000

DRY BUTTERMILK - CENTRAL

Prices are higher on the top end of the range and the market tone is steady to firmer. Buyer interest is good. Offerings are available and producers are able to sell enough to keep stocks mostly balanced. Condensed buttermilk sales are steady to lower as ice cream season comes to an end.

BUTTERMILK: .9600 - 1.0700

DRY WHEY - CENTRAL

Prices are lower and the market tone is weaker. Demand is limited as buyers react to the drop in last week's prices. Typically in a falling market, end users will "sit on the sidelines" and wait for the market to bottom out before purchasing again. Current orders are mainly for single loads. Many producers are adjusting prices to keep product moving and prevent stocks from building. Prices vary depending upon powder quality and standards. Kosher and Grade A product is harder to find and demanding higher prices. A large volume of the powder circulating the market does not fit these standards, and therefore, is at lower prices. The reason for the build-up in stocks could be that it did not enter the animal feed market as planned. Resale offerings under the market have been reported. Inventories are building at many plants and producers are nervous about potential sales.

NONHYGROSCOPIC: .2300 - .2750 MOSTLY: .2450 - .2600

ANIMAL FEED WHEY - CENTRAL

Prices for milk replacer and standard are lower; roller ground and delactose are unchanged. All prices are nominal. Animal feed business remains extremely slow. Edible and feed grade whey stocks are heavy. Hog and veal feeders are dealing with low slaughter prices and decreasing returns. Feed orders are being reduced and/or cancelled as a result. The delactose market is steady to improved. Sales to feed and food accounts are absorbing the majority of available offerings. Producer stocks range from balanced to often short of needs.

MILK REPLACER: .2100 - .2300
STANDARD: .1900 - .2100
ROLLER GROUND: .2900 - .2975
DELACTOSE (Min. 20% protein): .3275 - .3600

LACTOSE - CENTRAL AND WEST

Prices are lower on the mostly and the market tone remains weak. A few domestic sales have been reported, but overall demand is slow. Stocks are still heavy at many plants and some producers are decreasing and/or discontinuing production until clearing current inventories. Most fourth quarter contracts have been completed and final prices are steady to lower. Export business continues to be negatively affected by the overseas financial crises.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1500 - .2350 MOSTLY: .1700 - .1800

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices and the market tone are steady. Buyer interest is less aggressive than in previous weeks. Many contacts believe that prices have reached their peak. Manufacturers are beginning to offer product again, but only at limited volumes. In addition, some resellers are offering product at slight discounts. Producer stocks vary from tight to mostly balanced.

EXTRA GRADE 34% PROTEIN: .5900 - .6350 MOSTLY: .6100 - .6200

NONFAT DRY MILK - WEST

Nonfat dry milk prices are mostly steady with some producers raising prices slightly. The market tone, despite higher prices the last two weeks, is unsettled. Any tightness in the market is attributed to NDM being short on the supply side and producers raising prices. Demand is light and buyers are not aggressively pursuing product from producers. The tempering of the market is partly due to sellback NDM being available from the CCC. Sellbacks have only occurred on a limited basis. To date, more than 2.3 million pounds have been sold back from CCC stocks. If NDM demand were going unmet, many in the trade feel that sellbacks would be at higher volumes and more regular. The availability of NDM for spot shipment is described as limited. Producers are filling DEIP and domestic contracts, but some buyers are stating that their contracts are being delayed. Production levels in the region are mixed. Some plants are seeing milk intakes rise and are increasing drying schedules. Others, feeling the effects of the current weak cream and butter markets, are selling milk. Cheese plants are welcoming additional milk and, at current prices, producers want to keep cheese plants full. NDM stocks are mostly light in the region.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0600 - 1.1750 MOSTLY: 1.1000 - 1.1400
HIGH HEAT: 1.1200 - 1.1700

DRY BUTTERMILK - WEST

Buttermilk prices are unchanged and the market tone is mostly steady. Supply and demand are in fairly close balance at the present time. Additional supplies are available from butter churners that are increasing schedules as cream backs up at the churn. Demand is trending seasonally lower from ice cream producers, but seeing additional demand from baking and other fall/winter users. Stocks are mainly light.

BUTTERMILK: .9800 - 1.0400 MOSTLY: .9900 - 1.0000

DRY WHEY - WEST

The Western whey market continues to be viewed as fully steady even with the weakness in other regions of the country. Sales are continuing at rates good enough to clear any offerings in a timely fashion. Stocks at the majority of Western manufacturing locations are in close balance to tight. Production is about steady. Those areas that are showing slight declines are being offset by other areas that are increasing slightly as some milk moves from butter/powder to cheese. Western contacts are certainly keeping close watch on the other regions of the country.

NONHYGROSCOPIC: .2300 - .2750 MOSTLY: .2400 - .2425

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended October 9, on powder sales of 10,452,751 pounds f.o.b. California manufacturing plants was \$1.0692 per pound. This compares to 9,173,459 pounds at \$1.0749 for the previous week ending October 2, 1998. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are higher and nominal in the Northeast. Nonfat dry milk markets remain firm, although the market tone is unsettled. Producers and handlers anticipate a firm market for the near future, but feel that markets will turn lower within a month. Milk supplies are reported to be tight throughout the Northeast and Southeast, thus limiting volumes of milk to butter powder operations and virtually all manufactured dairy products. Drying schedules are noticeably lower. Stocks of powder range from in close balance to short of desired needs. In instances, producers are delaying shipments and buying back contracted volumes.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.1000 - 1.1700
HIGH HEAT: 1.1300 - 1.1900 MOSTLY: 1.1300 - 1.1400

DELVD SOUTHEAST:

ALL HEATS: 1.1300 - 1.1900

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

The buttermilk powder market tone and prices are unchanged. Tight milk supplies are limiting diversions of milk to butter/powder operations, although cream available to the churn is increasing. Due to recent price declines of cash butter, butter operations are cautious about taking on too much additional cream at this time. With overall light churning activity, buttermilk that is being generated and dried is sufficient for current buyer interest.

F.O.B. NORTHEAST: .9800 - 1.0000
DELVD SOUTHEAST: 1.0200 - 1.0625

DRY WHOLE MILK - NATIONAL

Whole milk powder markets are generally steady at unchanged prices. Powder production is limited due to the strong call for milk for Class I needs in the Southeast, thus limiting volumes available to dryers and other manufactured products. Buying interest is fair and being covered with current production and inventories.

F.O.B. PRODUCING PLANT: 1.5750 - 1.8500

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1998 THROUGH OCTOBER 9, 1998
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	33,070 MT (72,906,122 LBS)
CHANGE	--	494 MT (1,089,072 LBS)
WHOLE MILK POWDER	--	2,080 MT (4,585,568 LBS)
CHEESE	--	1,266 MT (2,791,024 LBS)
BUTTERFAT	--	0 MT
REALLOCATED NDM	--	16,357 MT (36,060,642 LBS)

Allocations for the DEIP year beginning July 1, 1998, are:
Nonfat dry milk - 84,212 MT; Whole Milk Powder - 5,003 MT;
Cheese - 3,350 MT; Butterfat - 29,854 MT.

DRY WHEY - NORTHEAST AND SOUTHEAST

Whey markets are unsettled and weak with prices unchanged to lower. Weakening prices in the Midwest are causing Eastern prices to react accordingly. Some producers are lowering prices to remain competitive and to keep whey stocks moving. Overall buying interest is slow which is typical in a declining market. Whey production is steady at most Eastern operations, although milk is not as readily available to cheese plants as it has been in past weeks.

F.O.B. NORTHEAST:	EXTRA GRADE	.2400 - .2700
	USPH GRADE A	.2500 - .2750
DELVD SOUTHEAST:		.2900 - .3100

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. Stocks of whey are increasing as demand is reported to be slow. Buyers are hesitant to buy any more than current needs can clear as the market tone is weak.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

Prices and the market tone are generally steady. Production of evaporated is lighter as milk volumes become more competitive. Producers felt that milk demand was easing to the Southeast, but continued strong and even stronger demand is limiting milk to evaporated operations. The Kansas City Commodity office announced the purchase of 257,040 pounds of canned evaporated milk under EVD-1, invitation #490 at prices ranging .5976 - .6344 per pound for delivery during November.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED
MAJOR U.S. CITIES \$23.62 - 33.00
Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein markets are weak with prices unchanged to lower. Buyers of both rennet and acid are stating that stocks are readily available for the balance of the quarter and are projected to be much the same during the first quarter of 1999. Rennet demand is somewhat stronger. Contacts are attributing the increase in demand to the record high prices of the natural cheese market.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	2.0000 - 2.1000
ACID:	1.9500 - 2.0500

COFFEE, SUGAR, & COCOA EXCHANGE AND CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	09/30	10/01	10/02	10/05	10/06	10/07	10/08	10/09	10/12	10/13
CSCE -										
BFP -- Dollars per cwt.										
SEP 98	15.13 (162) 4	15.13 (157) 0	15.09 (162) 1							
OCT 98	15.78 (165) 10	15.85 (167) 7	15.74 (167) 0	15.95 (167) 3	15.98 (168) 3	16.00 (167) 1	15.90 (166) 3	16.03 (168) 4	15.98 (168) 0	15.99 (169) 5
NOV 98	14.60 (79) 0	14.71 (82) 4	14.50 (82) 1	14.71 (84) 4	15.15 (92) 21	15.45 (97) 14	15.54 (105) 9	15.54 (121) 19	15.69 (122) 2	15.68 (124) 4
DEC 98	13.80 (75) 0	13.80 (78) 5	13.58 (78) 0	13.54 (78) 3	13.85 (81) 5	14.08 (82) 1	14.10 (80) 6	14.13 (81) 2	14.25 (82) 2	14.33 (82) 1
JAN 99	12.90 (37) 0	12.95 (37) 0	12.84 (37) 0	12.86 (38) 2	12.93 (39) 1	12.95 (39) 0	12.93 (39) 0	12.92 (40) 2	12.98 (40) 0	13.05 (41) 1
FEB 99	12.60 (23) 0	12.70 (23) 0	12.60 (23) 1	12.70 (23) 0	12.67 (24) 2	12.67 (24) 0	12.75 (24) 1	12.73 (24) 0	12.70 (24) 0	12.70 (24) 0
MAR 99	12.55 (8) 0	12.55 (8) 0	12.55 (8) 0	12.55 (8) 0	12.55 (8) 0	12.53 (8) 0	12.55 (8) 0	12.55 (8) 0	12.60 (8) 0	12.55 (8) 0
APR 99	12.30 (50) 0	12.33 (50) 0	12.25 (50) 0	12.20 (50) 0	12.20 (50) 0	12.25 (50) 0	12.20 (50) 0	12.23 (50) 0	12.23 (50) 0	12.20 (50) 0

CME - BUTTER -- Cents per pound

OCT 98	260.00 (21) 4	260.00 (17) 12	257.50 (17) 0	252.50 (17) 0	252.50 (16) 0	252.50 (16) 0	242.00 (11) 7	230.00 (11) 3	230.00 (9) 0	225.00 (9) 0
FEB 99	150.00	150.00 (2) 5	152.50 (2) 0	155.00 (2) 0	160.00 (4) 3	161.00 (4) 0	161.00 (4) 0	162.50 (4) 0	162.50 (4) 0	162.50 (4) 0

CME - BFP -- Dollars per cwt.

SEP 98	15.14 (504) 56	15.16 (493) 16	15.10 (496) 10							
OCT 98	15.75 (491) 101	15.90 (546) 88	15.85 (551) 13	16.00 (549) 19	16.00 (552) 35	15.99 (569) 26	15.99 (582) 33	16.03 (582) 26	15.98 (606) 17	16.00 (586) 30
NOV 98	14.58 (307) 15	14.67 (334) 52	14.55 (332) 30	14.63 (355) 38	15.18 (382) 82	15.45 (391) 21	15.57 (408) 76	15.54 (408) 35	15.75 (413) 40	15.74 (404) 9
DEC 98	13.80 (276) 15	13.70 (282) 11	13.55 (281) 4	13.46 (280) 9	13.85 (298) 24	14.10 (312) 17	14.15 (324) 51	14.15 (324) 26	14.23 (337) 12	14.35 (366) 22
JAN 99	12.89 (120) 4	12.99 (124) 10	12.91 (127) 3	12.81 (126) 5	12.96 (129) 14	13.00 (133) 8	12.94 (133) 3	12.94 (133) 0	13.00 (133) 3	13.06 (134) 3
FEB 99	12.63 (116) 4	12.70 (122) 7	12.69 (122) 10	12.69 (122) 0	12.69 (122) 0	12.71 (124) 3	12.70 (126) 8	12.70 (126) 0	12.70 (126) 2	12.75 (126) 1
MAR 99	12.60 (137) 2	12.60 (141) 5	12.56 (147) 16	12.60 (147) 5	12.57 (147) 0	12.55 (152) 10	12.55 (152) 0	12.55 (162) 0	12.56 (152) 1	12.55 (156) 3
APR 99	12.16 (18) 2	12.20 (18) 0	12.25 (23) 7	12.20 (23) 6	12.20 (23) 0	12.25 (23) 1	12.25 (23) 0	12.25 (23) 0	12.20 (23) 1	12.16 (27) 3

CME - CHEDDAR CHEESE -- Cents per pound

SEP 98	169.00 (82) 0	169.25 (82) 1								
OCT 98	164.55 (1) 0	167.00 (1) 0	167.25 (1) 0	167.30 (1) 0	169.80 (1) 0	172.00 (1) 0	174.50 (1) 1	174.50 (1) 0	174.50 (1) 0	174.50 (1) 0

1/ At the CSCE Open interest for NDM -- 44,000 pounds per contract, Cheddar Cheese -- 10,500 pounds per contract, Fluid Milk -- 50,000 pounds per contract, BFP -- 100,000 pounds per contract. At the CME Open interest for Cheddar Cheese -- 40,000 pounds per contract and BFP -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088 or the CSCE's Soft Fax at 212-742-6111.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered October 5 - 16, 1998

Prices are U.S. Dollars per MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERNEUROPE: Current interest is quiet in much of the dairy product world, especially from the major markets of Russia and Asia due to financial difficulties in these areas. The overall reduction in demand is impacting prices of some products as well as causing inventories to build at some locations. Currency exchange rates are impacting prices of some commodities. The major milk production season is coming to an end in traditional dairy grazing areas such as Ireland. Reports of Mexican and Algerian buyer interest are developing, but prices are expected to be very competitive.

BUTTER/BUTTEROIL: The market is weak and prices are trending lower. The current Russian financial crisis is impacting European markets both now and through the year end.

82% BUTTERFAT:	1,900 - 2,085
99% BUTTERFAT:	2,400 - 2,700

SKIM MILK POWDER (SMP): The skim market is barely steady and prices are unchanged to lower. The recent increase in the EU export subsidy did little to stimulate additional sales. The international market for skim is highly competitive as product is readily available from many sources. Mexican buyers are tendering for first quarter needs.

1.25% BUTTERFAT:	1,200 - 1,400
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WHOLE MILK POWDER (WMP): The whole milk market is mostly steady. Prices are lower in Eastern Europe, which caused the decrease in the range. Supplies are in reasonably good balance as the strong butter market earlier this summer and fall helped to keep whole milk production in check.

26% BUTTERFAT:	1,600 - 1,900
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SWEET WHEY POWDER: The whey market is weak. European originated whey continues to be pressured by more attractive prices on product from other suppliers. Whey is available though current production is lighter seasonally.

NONHYGROSCOPIC:	590 - 680
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EASTERN EUROPE: The loss of the Russian market is hardest felt within this region. Some attractively priced powders are being offered to other buyers to clear inventory. Production is trending lower in most areas as the season ends heading toward winter.

OCEANIA

OVERVIEW: Milk receipts are responding more seasonally to Spring flush conditions in the region. Plant operating schedules are accordingly heavier. In New Zealand, milk receipts are reaching peak levels though after an abnormally slow start. Most, if not all, Australian manufacturing plants closed by the lack of natural gas caused by the plant explosion a couple weeks ago have reopened. An estimated 50 - 60 million liters of fluid milk (approximately 12.9 - 15.5 million gallons) was dumped, either at a plant or on the farm due to the gas shutoff. Now that gas is available, at least to manufacturing plants (some consumers may be off for extended periods), operators are trying to catch up with orders. In Australia, current milk receipts are estimated to be approximately 5% over the same period last year. The financial problems with some key dairy product customers has some traders more aggressive in trying to stimulate purchases, either short term or longer term. Some Asian customers are making smaller spot purchases but are wary of making larger commitments. Recent milk production increases combined with the current problems in some financial markets, generally key dairy customers, have caused some manufacturers to rethink production plans. Changes in relative currency exchange rates is affecting some prices.

BUTTER: The butter market is steady and prices are steady to lower. Butter stocks are currently tight as production builds seasonally. Butteroil stocks are very light. Fat tests in Australia are often lower on incoming milk supplies as some producers push fluid volume at the expense of butterfat.

82% BUTTERFAT:	1,700 - 1,850
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CHEDDAR CHEESE: The cheese market is quiet and prices are generally lower. Current cheese stocks are limited as producers operate to fill early season orders. Some producers are reevaluating planned increases in cheese production at the expense of other products. Reports indicate some aged product is being offered at prices below the range.

39% MAXIMUM MOISTURE:	1,800 - 1,950
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SKIM MILK POWDER (SMP): The skim market is unsettled and prices are unchanged. Current inventories are in reasonably good balance with the spotty demand. This is a very competitive market internationally. Exporters remain more concerned with keeping skim inventories from accumulating in the longer term as drying schedules increase seasonally. Reports of lower priced offerings continue but much is older product (6 months or older).

1.25% BUTTERFAT:	1,300 - 1,350
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WHOLE MILK POWDER (WMP): The whole milk market is steady as are prices. Current spot offerings of new season product are limited. Reports indicate that some older product is being discounted to clear ahead of the new season.

26% BUTTERFAT:	1,650 - 1,700
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Exchange rates for selected foreign currencies: October 12, 1998

.5364 Dutch Guilder	.6052 German Mark
.1805 French Franc	.5393 New Zealand Dollar
.0982 Mexican Peso	.6225 Australian Dollar
1.6907 British Pound	.0085 Japanese Yen
.2830 Polish Zloty	

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0982) = 10.1832$. That is 1 US Dollar equals 10.1832 Mexican Pesos.

Source: Wall Street Journal

ESTIMATED U.S. SUPPLY AND USE PROJECTIONS FOR MILK*

Butter prices remained strong through the summer and the strength has carried into the seasonally strong year-end holiday demand period. This, combined with seasonally low milk production, is helping hold cheese prices at high levels and will support high farm level milk prices at least through autumn. The milk price forecasts are increased this month. High butter prices are resulting in larger butter imports than previously forecast.

U.S. MILK SUPPLY AND USE

Item	1996/97	1997/98 Projection 1/		1998/99 Projection 1/	
	1/	September	October	September	October
SUPPLY	BILLION POUNDS				
BEGINNING COMMERCIAL STOCKS 2/ 23/	4.9	5.9	5.9	5.4	5.8
PRODUCTION	156.4	157.2	156.9	159.5	159.2
FARM USE	1.4	1.4	1.4	1.3	1.3
MARKETINGS	155.0	155.8	155.6	158.2	157.9
IMPORTS 2/	2.8	3.4	4.0	3.3	3.8
TOTAL COMMERCIAL SUPPLY 2/	162.7	165.1	165.5	166.8	167.5
USE					
COMMERCIAL USE 2/ 3/	156.1	158.9	159.0	160.5	161.2
ENDING COMMERCIAL STOCKS 2/	5.9	5.4	5.8	5.8	5.8
CCC NET REMOVALS:					
MILKFAT BASIS 4/	0.7	0.8	0.7	0.5	0.5
SKIM SOLIDS BASIS 4/	2.7	4.5	4.5	3.7	3.5
DOLLARS PER CWT.					
PRICES RECEIVED BY FARMERS 5/					
BASIC FORMULA (BFP)	11.88	13.25-13.35	13.28	12.30-13.10	12.55-13.35
ALL MILK 6/	13.53	14.45-14.55	14.52	14.00-14.80	14.30-15.10
MILLION POUNDS					
CCC PRODUCT NET REMOVALS 4/					
BUTTER	24	24	20	15	15
CHEESE	10	8	8	7	7
NONFAT DRY MILK	222	370	370	305	290
	QUARTERLY 7/			ANNUAL 7/	
	1998 IV	1999 I	1999 II	1998	1999
	BILLION POUNDS				
	38.6	39.7	41.5	157.3	160.0
	DOLLARS PER CWT.				
ALL MILK PRICE 4/ 5/	17.00-17.40	14.65-15.35	12.90-13.90	15.15-15.25	13.60-14.50
BASIC FORMULA PRICE 4/	15.05-15.45	12.30-13.00	11.25-12.25	13.80-13.90	11.90-12.80

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 7/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: James E. Nix, Chairman, WAOB; Arthur Coffing, FAS; Robert R. Miller, AMS; and James Miller, ERS.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-343, World Agricultural Outlook Board, USDA, October 9, 1998.

**MAILBOX MILK PRICES FOR SELECTED FEDERAL MILK ORDERS,
JULY 1998, WITH COMPARISONS**

In July 1998, mailbox milk prices reported for selected Federal milk orders averaged \$13.76 per cwt., \$.08 more than the revised figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$13.40, down \$.17; Southeast, \$13.81, down \$.94; Midwest, \$14.16, up \$.41 and West, \$13.15, up \$.01. Compared to July 1997, mailbox milk prices increased \$2.04 per cwt. on the average. Regional changes from the previous year were: +\$1.57 in the Northeast, +\$.72 in the Southeast, +\$2.52 in the Midwest, and +\$2.07 in the West.

Federal milk order <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	July 1997	June 1998	July 1998
	<u>Dollars per hundredweight</u>		
New England	12.72	13.91	14.08
New York-New Jersey	11.46	13.34	13.30
Middle Atlantic	11.71	13.70	12.94
Northeast Average <u>3/</u>	11.83	13.57	13.40
Carolina	13.09	14.76	13.49
Tennessee Valley	12.43	---	---
Southeast	12.17	13.85	13.06
Florida <u>4/</u>	15.04	16.32	15.51
Southeast Average <u>3/</u>	13.09	14.75	13.81
Southern Michigan	11.83	13.43	12.96
Eastern Ohio-Western Pa.	11.42	13.33	12.93
Ohio Valley	11.51	13.31	12.43
Indiana	11.79	13.10	12.37
Chicago Regional <u>5/</u>	11.75	14.07	15.06
S. Illinois-E. Missouri	11.50	13.04	12.00
Louis.-Lex.-Evans.	11.94	13.70	12.38
Upper Midwest <u>5/</u>	11.53	13.92	14.76
Nebraska-Western Iowa	11.38	13.11	13.10
Iowa	11.44	13.63	14.17
Midwest Average <u>3/</u>	11.64	13.75*	14.16
Texas	11.57	13.25	12.83
Southwest Plains	10.94	12.69	12.39
Eastern Colorado	11.12	13.11	12.59
S.W. Idaho-E. Oregon	10.59	12.88	13.14
Great Basin	10.53	12.60	12.86
New Mexico-West Texas	10.62	12.72	12.57
Pacific Northwest	11.42	13.64	13.87
West Average <u>3/</u>	11.08	13.14	13.15
All-Market Average <u>3/</u>	11.72	13.68*	13.76

*Revised.

1/ Federal milk orders for which information could be released. 2/ Net pay price received by dairy farmers marketing milk to handlers regulated under the Federal milk orders. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is reported at the market average butterfat test. 3/ Weighted average of the information for the orders listed in the region or for all selected orders combined. 4/ Weighted average of the information for the Upper Florida, Tampa Bay, and Southeastern Florida orders. 5/ Includes payments for milk that, while normally associated with the market, was not pooled due to disadvantageous price relationships.

AUGUST FLUID MILK SALES HIGHLIGHTS

During August, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.4 percent below the previous year and 0.9 percent above July 1998 on an adjusted daily average basis. Sales of whole milk items were 1.0 percent below the previous year; sales of fat-reduced milk items were unchanged from the previous year. Total fluid milk sales were higher in the Southeastern, Midwest, and Southwest, and lower in the Northeast and Far West regions.

**SUMMARY OF PACKAGED SALES OF WHOLE MILK ITEMS, FAT-REDUCED MILK ITEMS, AND TOTAL FLUID MILK ITEMS IN FEDERAL MILK ORDER
MARKETING AREAS AND CALIFORNIA, GROUPED BY REGION, AUGUST 1998, WITH COMPARISONS 1/**

Region 4/	Whole Milk Items 2/				Fat-reduced Milk Items 3/				Total Fluid Items			
	Sales		Change from:		Sales		Change from:		Sales		Change from:	
	Aug.	Year to date	Prev. year 5/	Year to date 5/	Aug..	Year to date	Prev. year 5/	Year to date 5/	Aug.	Year to date	Prev. year 5/	Year to date 5/
	Mil. lbs.		Percent		Mil. lbs.		Percent		Mil. lbs.		Percent	
Northeast	334	2,696	-2.6	-2.1	433	3,564	0.7	-0.2	766	6,260	-0.8	-1.0
Southeastern	336	2,643	-1.5	-1.9	430	3,475	1.6	0.6	766	6,117	0.2	-0.5
Midwest	270	2,073	2.4	0.8	911	7,319	0.4	-0.7	1,182	9,391	0.8	-0.4
Southwest	174	1,340	2.2	0.2	209	1,616	1.3	0.3	383	2,956	1.7	0.3
Far West	335	2,643	-3.1	-0.7	649	5,314	-2.6	-1.2	984	7,958	-2.8	-1.0
All Areas Combined	1,450	11,394	-1.0	-0.9	2,632	21,288	0	-0.5	4,082	32,682	-0.4	-0.6

1/ These figures are representative of the consumption of fluid milk products in comparable Federal milk order marketing areas and California, and represents approximately 90 percent of total fluid milk sales in the U.S. 2/ Whole milk items include plain, flavored, and miscellaneous whole milk products. 3/ Fat-reduced milk items include plain, solids added, flavored, and miscellaneous reduced fat, low fat, and fat-free products, and buttermilk. 4/ For the marketing areas included in each region, see DMN Vol. 65, report #12. Far West includes California. 5/ Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition. See DMN Vol. 59, report #13.

**PACKAGED SALES OF INDIVIDUAL WHOLE MILK PRODUCTS AND FAT-REDUCED MILK PRODUCTS IN
ALL MARKETING AREAS DEFINED BY FEDERAL MILK ORDERS AND CALIFORNIA, JULY 1998,
WITH COMPARISONS 1/**

Product Name	Sales	Change from:	
		Previous Year	Year to Date
	Mil.lbs	Percent	
Whole Milk 2/	1,460	0.4	-0.9
Reduced Fat Milk (2%)	1,283	-2.2	-2.6
Low Fat Milk (1%) 3/	522	6.1	2.2
Fat-Free Milk (Skim)	689	1.5	1.1
Buttermilk	49	0.5	-1.4
Total Fluid Milk Products 4/	4,017	0.4	-0.7

1/ These sales volumes and percent changes include preliminary data for the New York-New Jersey milk order marketing area and the California State milk order. However, data for the Tennessee Valley market, which was terminated October 1, 1997, are excluded. Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition.

2/ Includes flavored whole milk. 3/ Includes flavored fat-reduced milk.

4/ Includes miscellaneous products.

SEPTEMBER MILK PRODUCTION

Milk production in the 20 major states during September totaled 10.7 billion pounds, up 0.4 percent from production in these same states in September 1997. August revised production, at 11.2 billion pounds, was down 0.5 percent from August 1997. Production per cow in the 20 major states averaged 1,381 pounds for September 1998. The number of cows on farms in the 20 major states was 7.76 million head, 5,000 head above September 1997 and 4,000 head above August 1998. The July-September quarterly production of milk for the U.S. was 38.7 billion pounds, down 0.3 percent from the July-September period in 1997. The average number of milk cows in the U.S. during July-September quarter was 9.20 million head, 48,000 head less than the same period last year.

STATE	MILK COWS <u>1/</u> <u>2/</u>				MILK PRODUCTION <u>1/</u> <u>3/</u>			
	SEPTEMBER		JULY-SEPTEMBER		SEPTEMBER		JULY-SEPTEMBER	
	1997	1998	1997	1998	1998	% CHANGE FROM 1997	1998	% CHANGE FROM 1997
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	—	—	31	27	—	—	82	-6.8
AK	—	—	0.9	0.9	—	—	3.63	-8.3
AZ	129	132	128	132	190	5.6	569	-1.7
AR	--	--	53	52	--	--	166	7.8
CA	1,335	1,387	1,332	1,383	2,178	-3.8	6,756	-3.9
CO	--	--	84	83	--	--	429	2.1
CT	--	--	30	31	--	--	129	3.2
DE	--	--	10.0	11.0	--	--	44.7	17.6
FL	159	159	160	159	160	--	508	-1.0
GA	--	--	96	93	--	--	313	-3.4
HI	--	--	8.9	8.7	--	--	32.9	10.0
ID	279	298	276	296	489	10.1	1,498	8.8
IL	146	140	146	141	175	-5.4	540	-5.6
IN	140	141	140	140	176	-1.7	547	---
IA	243	240	243	240	300	-8.3	945	-5.6
KS	--	--	81	82	--	--	305	1.7
KY	143	135	144	135	135	-4.3	412	-5.7
LA	--	--	76	68	--	--	156	-8.2
ME	--	--	40	41	--	--	172	1.8
MD	--	--	86	86	--	--	351	7.7
MA	--	--	26	25	--	--	106	-2.8
MI	304	298	307	301	440	1.1	1,346	-0.8
MN	575	565	580	565	709	0.7	2,226	-0.7
MS	--	--	47	40	--	--	122	-9.6
MO	166	160	166	160	178	--	544	-2.5
MT	--	--	19	18	--	--	72	-4.0
NE	--	--	69	71	--	--	280	7.7
NV	--	--	26	26	--	--	125	4.0
NH	--	--	19	18	--	--	77	-4.9
NJ	--	--	20	19	--	--	72	-1.4
NM	205	219	203	218	356	11.6	1,104	10.6
NY	697	702	698	701	955	2.7	2,965	1.8
NC	--	--	75	73	--	--	284	-3.7
ND	--	--	53	50	--	--	174	1.2
OH	278	270	280	271	354	1.1	1,099	1.0
OK	--	--	96	94	--	--	296	-4.5
OR	--	--	89	89	--	--	418	1.2
PA	639	635	639	635	876	1.5	2,692	1.4
RI	--	--	2.0	2.0	--	--	7.5	-1.3
SC	--	--	26	23	--	--	80	-4.8
SD	--	--	104	102	--	--	366	4.6
TN	--	--	110	104	--	--	347	-6.5
TX	383	372	384	372	402	-1.5	1,242	-1.8
UT	--	--	91	90	--	--	384	-2.5
VT	159	158	158	157	215	1.4	665	0.8
VA	120	120	121	120	148	-0.7	445	-0.9
WA	262	260	263	260	439	2.1	1,349	-0.1
WV	--	--	18	18	--	--	69	4.5
WI	1,390	1,366	1,391	1,366	1,837	1.3	5,765	0.6
WY	--	--	6.0	5.5	--	--	19.3	-5.4
22 STATE TOTAL	7,752	7,757	—	--	10,712	0.4	--	--
U.S. <u>4/</u> <u>5/</u>	--	--	9,251	9,203	—	—	38,700	-0.3

1/ Preliminary. 2/ Includes dry cows, excludes heifers not yet fresh. 3/ Excludes milk sucked by calves. 4/ Includes states for which individual monthly estimates are not available. 5/ Milk cows will not add due to rounding.

SOURCE: "Milk Production," Da 1-1 (10-98), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CCC PURCHASES OF DAIRY PRODUCTS

FOR THE WEEK OF OCTOBER 12 - 16, 1998				CUMULATIVE TOTALS				UNCOMMITTED INVENTORIES			
	TOTAL	CONTRACT	ADJUSTED		SINCE	SAME PERIOD		PERIOD ENDING	SAME PERIOD		
	PURCHASES	ADJUSTMENTS	PURCHASES		10/01/98	LAST YEAR		10/09/98	LAST YEAR		
BUTTER											
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE											
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK											
Nonfortified	-0-	-0-	-0-	-0-	-0-	1,004,145		42,673,000		-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-		-0-		-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	1,004,145		42,673,000		-0-	-0-

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT*	SKIM**		MILKFAT*	SKIM**
	BASIS	SOLIDS		BASIS	SOLIDS
WEEK OF OCTOBER 12 - 16, 1998 =	0.0	0.0	COMPARABLE WEEK IN 1997 =	-0.1	-4.6
CUMULATIVE SINCE OCTOBER 1, 1998 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	0.2	11.7
CUMULATIVE JANUARY 1 - OCTOBER 16, 1998 =	25.0	1,320.2	COMPARABLE CALENDAR YEAR 1997 =	24.8	402.1

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/98 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL									
REGION	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98	1997/98
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0	0.0
WEST	-0-	-0-	-0-	-0-	-0-	1,004,145	0.0	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0	0.0
TOTAL	-0-	-0-	-0-	-0-	-0-	1,004,145	0.0	100.0	100.0

SELLBACK TO THE TRADE NONFAT DRY MILK (POUNDS) MILK EQUIVALENT - MILKFAT BASIS* - MILLION POUNDS

WEEK OF OCTOBER 9 - 15, 1998	0	0.0
CUMULATIVE SINCE 10/1/98	128,847	0.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1998

MANUFACTURING MILK: Average Test 3.67% - \$10.05 per cwt.; 3.5% - \$9.95

DOLLARS PER POUNDBUTTER: Bulk \$.6500; 1# Prints \$.6800CHEESE: 40 & 60# Blocks \$1.1150; 500# Barrels \$1.0850; Process American 5# \$1.1675; Process American 2# \$1.2075NONFAT DRY MILK: Nonfortified \$1.0280; Fortified \$1.0380; Instant \$1.1855**Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 09/26/98 & Comparable Week 1997 1/ 2/**

Regions*											U.S. TOTAL		% DAIRY OF ALL		
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1	
1998-Dairy cows	HD (000)	: 0.2	1.6	5.1	5.4	18.2	2.7	2.9	0.8	9.8	2.4	49.2	1,967.5	42.9	45.5
1997-Dairy cows	HD (000)	: 0.4	1.6	8.6	6.3	21.3	2.9	3.5	1.1	9.2	2.9	57.8	2,139.8	47.7	46.0
1998-All cows	HD (000)	: 0.2	1.6	8.4	17.1	26.0	20.4	17.2	5.0	12.1	6.7	114.8	4,325.8		
1997-All cows	HD (000)	: 0.4	1.7	9.1	18.3	29.8	16.5	19.3	8.1	11.4	6.7	121.3	4,653.1		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CCC MARKET PRICE PURCHASES 10/8

PROCESS	NOVEMBER DELIVERY
2# PROCESS LOAF	554,400
PROCESS SLICED	1,029,600
MOZZARELLA	
MOZZARELLA LITE SHREDDED	120,960

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/98 = 6,557,121

BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, \$/CWT.)

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
1994	12.41	12.41	12.77	12.99	11.51	11.25	11.41	11.73	12.04	12.29	11.86	11.38
1995	11.35	11.79	11.89	11.16	*11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
1996	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
1997	11.94	12.46	12.49	11.44	10.70	10.74	10.86	12.07	12.79	12.83	12.96	13.29
1998	13.25	13.32	12.81	12.01	10.88	13.10	14.77	14.99	15.10			